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Shenzhen Expressway Company Limited

Newsletter

July 2010

GUIDANCE

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Opening Message

Dear Investors,

In the first half year, domestic economy has continued to improve, which ensured the good performance in toll highway industry.

Under this background, the operative segments of the Company have made efforts on careful planning and hard work according to the goals set at the beginning of the year and the Company's overall working progress and the effect are in line with expectations basically.

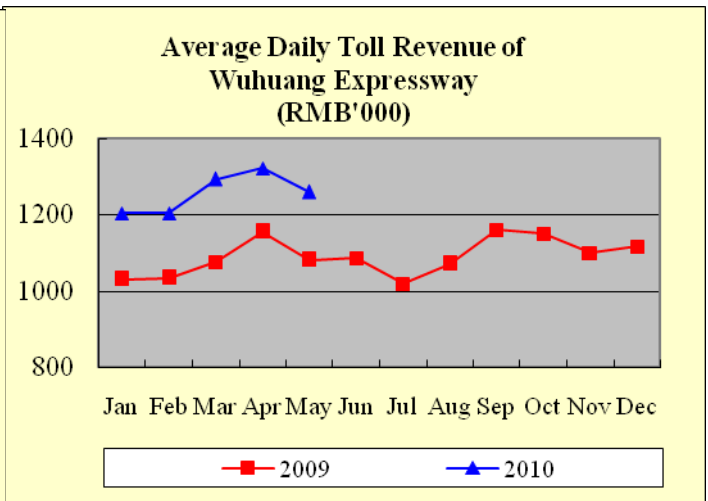
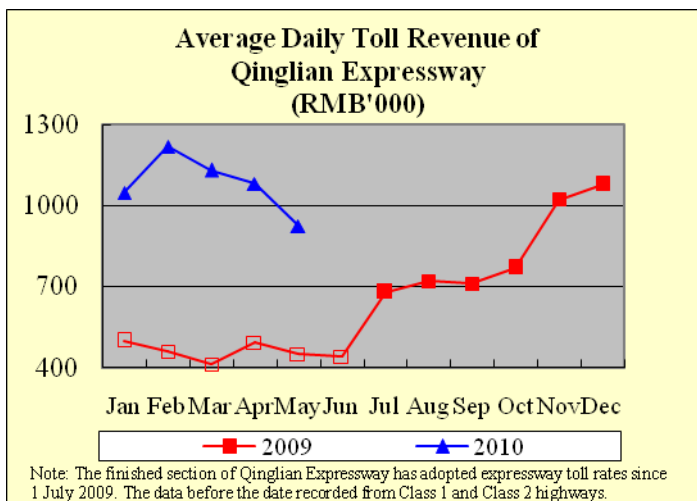
The Company is facing for the critical challenge of rapid growth of costs and expenses in recent years because the new projects are still in a cultivation period. Therefore, the work stress of the Company in the second half year will be still put on cost control and the increase of toll revenue. Meanwhile, we will pay close attention to the possible changes of economic situation, the macroeconomic policies and the operating environment, strengthen emergency ability and try hard to drive a smooth development to achieve a long-term growth of shareholders and the Company.

Thanks for your continuous attention and support to the Company!

Kind Regards,

Yang Hai

Chairman



- The average daily traffic volume and toll revenue of the projects between January and May 2010 recorded a significant increase as compared to the same period of last year, mainly benefited from the positive impact on operating performance of highways from the factors such as the sustained growth in the domestic economy.
- The Spring Festival of 2010 was in February. Affected by this factor, the operational statistics of major highways in Shenzhen region generally remained in a lower level in February.
- Yanba C was commenced operation simultaneously with the connecting Huishen Coastal Expressway on 25 March 2010. It increases the toll mileage of Yanba Expressway by 10 km.
- Mainly caused by the seasonal factors, the operational statistics of some highways decreased MOM in May which had the similar change trend as last year. In addition, the performance of Qinglian Expressway was also affected by the continuous rainy weather.
- The highways which adopted “Green Passage Toll Free Policy” for fresh agricultural products carrier vehicles pursuant to the requirements of relevant government authorities include Jihe Expressway, Yangmao Expressway, Wuhuang Expressway, Nanjing Third Bridge and Qinglian Expressway.

Company News

Investor Relations Activities

- On 19 and 20 January, the Company participated in UBS Great China Conference 2010 in Shanghai and met with 19 domestic and foreign institutional investors. The investors’ major concerns on the Company included the operating performance of each project, the capital expenditure plan, the dividend payout policy, and the development strategies.
- On 28 and 29 January, the Company held the Investors Reverse Road-show 2009. A total of 30 domestic and foreign institutional investors and individual investors participated in the event. Through communications with the Company’s senior management, as well as site visit on Qinglian Expressway, the investors were able to gain a deeper understanding of the Company’s current management and operational status, and to discuss and share their opinions and expectations with the management on the Company’s future development.
Related link: http://www.sz-expressway.com/download/2010/Roadshow09_c.pdf
- From 22 to 24 March, the Company held the 2009 Annual Results Conferences in Shenzhen and Hong Kong, respectively, and made a ND road-show in Hong Kong. There were 50 foreign and domestic institutional investors and 26 foreign and domestic media participated in the conferences or road-show.
Related link: http://www.sz-expressway.com/download/tjcl/Sheet_c01.pdf



- The Company held First Quarterly Results 2010 Online Investor Meeting from 3:00~5:00 p.m. on 29 April 2010.

Related link: <http://newzspt.p5w.net/bbs/bbs.asp?boardid=835>

- On 13 and 14 May, the Company participated in the 8th BOCI Investors Conference held by BOCI International and met with 13 domestic and foreign institutional investors. The questions of investors focused on the operating performance of projects, the trend of operating costs and finance costs, the dividend payout policy, and the development strategies of the Company.

Awards & Certificates

- On 7 May, the Company and other 7 listed companies were awarded as “The most competitive listed company (最具竞争力上市公司)” in “The first Shenzhen Press Index High-quality Listed Company Awards” co-organized by Shenzhen Press Group and Shenzhen Securities Information Company Limited.
- Guangshen Coastal Expressway Project (Shenzhen Section), which the Company was entrusted by Shenzhen Government as the project administrator, carried off three first prizes in the categories of Construction Project (Owner), Engineering Supervision Contract Section, and Construction Contract Section in The First Comprehensive Assessment of Construction Quality 2010 on expressway under construction (2010 年在建高速公路工程第一次工程质量监督检查评比), organized by Guangdong Traffic Engineering Quality Supervision Station (广东省交通运输工程质量监督站).

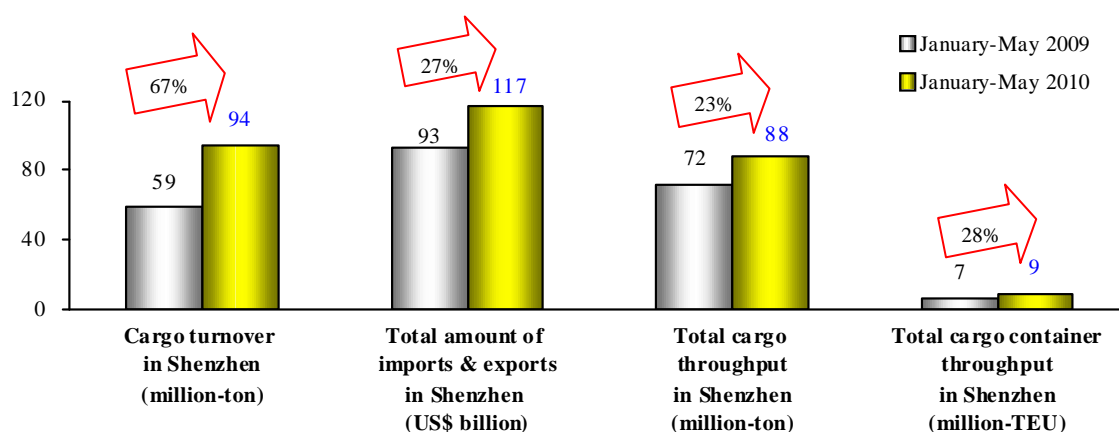


Sector Interflow

- On 15 April, Mr. Yang Hai, Chairman and the other members of the management received a six-member team led by Mr. Francisco Reynes Massanet, Executive Director and Member of the Board, Abertis Infraestructuras, S.A., Spain. The two parties conferred on business management and cooperation intention, etc.
- On 24 May, Mr. Yang Hai, Chairman and the other members of the management received a three-member team led by Mr. David Rosaman, Global Head of Infrastructure Division, Investment Banking of Macquarie Group. The two parties discussed on the potential cooperation opportunities in the meeting.

Sector Information

Statistics on Transportation & Imports/Exports Trade in Shenzhen



Sources: Economic Operation of Shenzhen City in January to May 2010, Website of Statistics Bureau of Shenzhen Municipality (深圳市统计局) Shenzhen Development and Reform Commission (深圳市发展和改革委员会)

Frequently Asked Questions

Q1 Did the changes of Shenzhen and neighboring road networks have any impact on the operating projects of the Company?

A1 Guanhui Expressway (Dongguan-Huizhou) and Huishen Coastal Expressway (Huizhou-Shenzhen) have opened to traffic at the end of January and March, respectively. Guanhui Expressway is expected to cause certain diversion to Jihe Expressway. Huishen Coastal Expressway is expected to facilitate the traffic volume and toll revenue of Yanba Expressway, but cause a slight diversion to Jihe Expressway.

In addition, a municipal road near Nanguang Expressway, which named Songbai Road, has been started large-scale maintenance works since 2009. It causes a part of vehicles to choose Nanguan Expressway. As a result, the traffic volume on Nanguan Expressway is growing rapidly.

The statistic of traffic volumes and toll revenues are monthly disclosed in the form of announcements. Investors also can find the historical operational data at “Operational Statistics” on the Company’s website.

Related link: http://www.sz-expressway.com/doc/top_yysj.php

Q2 How will be the operating performance of Qinglian Expressway in 2010? Is the reconstruction work of Liannan Section of Qinglian Project going forward well?

A2 Qinglian Expressway’s average daily mixed traffic volume and average daily toll revenue for the period of January to May is 18,500 and RMB 1,077,000, respectively. It is expected that the average daily toll revenue of Qinglian Expressway in 2010 will remain at the same level as that of the first half year in view of the fact that the Liannan Section and Yilian Expressway are still under construction in the year. Following gradual enhancement of road networks, the operating performance of Qinglian Expressway will grow further.

The Liannan Section has commenced reconstruction into an expressway since April 2009. It was scheduled for completion at the beginning of 2011. In the past year, Qinglian Company conscientiously organized and planned construction works and carried out labor emulation for times, which have promoted the construction progress successfully. The original road surface reconstruction works were completed in February 2009 and the construction of route change is on the phase of construction of roadbed currently.

It has been raining in northern Guangdong since February. This rainy season started earlier but ended later than the past year with heavy rainfall, which affected the construction, especially affect the construction of roadbed. To respond this challenge, Qinglian Company actively adjusted working planning in terms of speeding up the construction works, which were not influenced by rainy weather, as well as re-planning the construction scheme which will be executed after the rainy season, in order to catch the planed completion time.

Q3 How does the Company see its performance on operating costs for 2010?

A3 Along with the new opening of the project and the consolidation of Jihe East, it is expected that the operating costs will increase this year:

1. Depreciation and amortization: the Company adopts the units-of-usage method to amortize intangible assets. The amortization amount will increase with the growth of traffic volumes. In addition, the revaluation of fair value of 55% equity interests of Jihe East will increase the amortization amount by RMB 60,000,000 for 2010.

2. Road maintenance expenses: for extending the lifespan of the highways and reaching the goal of “the optimal cost of the whole operating period”, the Company will appropriately strengthen daily maintenance for projects. As a result, the maintenance expenses will be increased in the year.
3. Employee expenses: following the new opening of the projects and the development of the businesses, employee expenses will increase.
4. Provision for maintenance/resurfacing obligations: the Company has made adjustments to the accounting estimates of the provisions for maintenance/resurfacing obligations since 1 April 2009. It is expected that the provisions of this year will be higher than that of last year, since the provisions will be made in accordance with the new standard for whole year.

Q4 Dose the Company has any new investment or acquisition plan recently?

A4 For projects investment and acquisition, the overall strategy of the Company is to actively study and reserve the quality project resources. The Company will take due consideration of the returns of the project and the burden bearing capability of the Company’s financial resources for investment decision-making. The principles include:

1. Avoid investment in green-field toll highway projects outside Shenzhen region.
2. Acquire existing toll highway projects on the premise of improving ROE and benefiting the capital operation.

In addition to the announced expansion plans, currently the Company has no any new investment or acquisition plans.

Q5 What is the current dividend policy?

A5 The Company has put emphasis on shareholder’s return since listing and has maintained around 50% dividend payout ratio for years. The Company will maintain a stable dividend payout policy in the future.

Investors’ Comments and Questions

My comments

My questions

My details

Name: _____ Position: _____
 Company: _____
 Tel: _____ Fax: _____
 E-mail: _____

Download “Comments and Questions” Sheet

About Shenzhen Expressway

Shenzhen Expressway was established on 30 December 1996. In March 1997, the Company issued foreign capital shares (H Shares) which were subsequently listed on The Stock Exchange of Hong Kong Limited on 12 March 1997. In December 2001, the Company issued Renminbi-denominated ordinary shares (A Shares) which were subsequently listed on the Shanghai Stock Exchange on 25 December 2001. The Company is mainly engaged in the investment, construction, operation and management of toll highways.

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